

## **Localising council tax support: transitional grant scheme**

### **Frequently Asked Questions (version 14/12/2012)**

- **Basing your scheme on the default scheme (following uprating), reducing the maximum award (for persons not falling within a class for which entitlement to a reduction is prescribed under the Prescribed Requirements Regulations<sup>1</sup>) to no less than 91.5% of net liability and setting the taper at no more than 25% ensures that you are compliant with the grant scheme.**
- **Changes to applicable amounts and allowances, including not uprating these in line with the uprated default scheme, and introducing new non-dependant deductions *may* mean you are not compliant. To avoid doubt you may want to avoid these changes.**
- **Capping awards at Band D and changes to capital limits will mean you are not compliant.**

#### **Will there be a further grant in 2014-15?**

This grant is for 2013-14 only. The Government expects that this will provide local authorities with a greater opportunity to explore other options for delivering savings in the longer term, for example, through tackling fraud and error or through joint working.

#### **Do we need to consult again if we change our scheme to comply with the grant?**

Billing authorities will need to ensure they comply with the requirements of paragraph 3(1) of Schedule 1A to the Local Government Finance Act 1992 which sets out the steps an authority must take before making a scheme. Authorities that have already consulted on their proposals for a scheme, will need to consider, if they want to claim the grant, whether they will need to make changes to their proposed schemes in order to be eligible for the funding, the scale of any changes that are required and whether these require further consultation. Councils could consider carrying out a consultation exercise alongside any broader consultation on the council's budget, if they judge this approach to be appropriate.

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<sup>1</sup> The Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012

**Can we change the Second Adult Rebate and still claim the grant?**

Yes, we want to keep the scheme as simple as possible for councils, and give them some flexibility over how they manage the funding reduction.

Those in receipt of Second Adult Rebate can in most cases afford to meet the liability in their own right – and if they cannot, they are eligible for support - again in their own right.

**For a small group of people changes in the Second Adult Rebate could lead to people currently on 100% support paying up to 75% of their total liability. Does this mean we cannot remove the Second Adult Rebate and still claim the grant?**

Some changes might have a significant effect on a very small number of people. (For example, where a student who owns a property has someone living with them who qualifies for the Second Adult Rebate). In such circumstances local authorities may wish to use their discretionary powers in relation to council tax reductions to mitigate the effects of changes to awards. We are not prescribing what local authorities may do in relation to the Second Adult Rebate. Local authorities can remove the Second Adult Rebate and still be eligible for the grant.

**Can we change existing non-dependant deductions and still claim the grant?**

Yes - we want to keep the scheme as simple as possible for councils, and give them some flexibility over how they manage the funding reduction. However, while local authorities will be able to change existing non-dependant deduction rates (i.e. the amount of deductions for non-dependants set out under paragraph 30(1) and (2) of the Default Scheme<sup>2</sup>) and still be compliant with the scheme, the Government would not expect local authorities to make large increases in non-dependant deductions.

**Can we add a new non-dependant deduction and still receive the grant?**

Where a local authority is considering introducing new non-dependant deductions (i.e. making a deduction in respect of a person for whom a deduction would not fall to be made under paragraph 30 of the Default Scheme) the scheme must ensure that claimants who would receive 100% on the default scheme pay no more than 8.5% of their net council tax liability in order to be eligible for the grant. Local authorities may find it easier not to introduce new non-dependant deductions if they wish to be eligible to claim the transition grant.

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<sup>2</sup> As prescribed in the Schedule to the Council Tax Reduction Schemes (Default Scheme) (England) Regulations 2012 (as amended by the Council Tax Reduction Schemes (Prescribed Requirements and Default Scheme) (England) (Amendment) Regulations 2012.

**How will the grant be paid?**

The grant will be paid as a specific non-ringfenced grant by the Department for Communities and Local Government, to individual billing and major precepting authorities.

**I am a major precepting authority, and only 2 out of 4 billing authorities in my area have adopted schemes that would be eligible to claim the grant – will I receive any funding?**

Yes, you will receive funding in respect of each scheme in your area that complies with the terms of the grant. The funding allocations document sets out for each billing authority area the entitlements for the billing and major precepting authorities covered by the scheme.

**Does this mean no-one can have a more than 8.5% reduction in their current council tax benefit award if the scheme is to be eligible for the grant?**

The intention of the scheme is that no-one who would be entitled to 100% support under the default scheme should be required to pay more than 8.5% of their liability as a result of the introduction of the new scheme.

Clearly, for some claimants who would be entitled to partial support, changes to the taper within the parameters of the grant scheme, for example, could result in an increase in liability greater than 8.5%. Increases greater than 8.5% may also occur as a result of a combination of changes to factors such as changes to non-dependant deductions.

The important thing is that no-one who would have been entitled to 100% support under the default scheme has a reduction in their starting liability – after the application of discounts such as the single person discount, but before the application of the taper or existing non-dependant deductions - which results in them paying more than 8.5% of their council tax liability.

Local authorities are not therefore required to ensure that no-one pays more than 8.5% of their council tax liability, for example through a 'better-buy' calculation compared to their previous liability, provided their scheme is compliant with the terms of the grant.

**As an authority, we are proposing to change capital limits, which would lead to some people on 100% support not qualifying for any support. Would this be compliant with the transitional grant scheme?**

No. To comply with the scheme, local authorities should ensure that those who would receive 100% support under the default scheme would not be required to pay more than 8.5% of their net liability under the local scheme.

**How does the 8.5% relate to council tax liabilities that have already been reduced as a result of other discounts and exemptions?**

The 8.5% refers to the net liability – so after discounts such as the single person discount have been applied.

**Can I limit liability to a particular band?**

No. The reduction in liability of any households living in properties in higher bands will be greater than the 8.5% and therefore it will not comply with the grant scheme.

**For people not receiving 100% support can we make them all pay at least 20% towards their council tax and be eligible for the grant?**

No, this will result in a sharp reduction in support for those entering work or earning more. It is important the support is tapered away from the starting liability to avoid cliff edges which could discourage work.

**My authority is planning to adopt the default scheme. Will we be eligible for the grant?**

Yes – the default scheme is compliant with the grant scheme.

**Do major precepting authorities need to claim separately for funding?**

No – for each scheme, a single claim **must** be made by the billing authority that has adopted the scheme. Funding will be attributed to both the billing and major precepting authorities in response to the application and will be paid separately to each authority.

**Does the scheme only need to guarantee support for existing claimants or does it apply to claimants moving onto support throughout the year?**

To qualify for the grant the scheme must be compliant for all claimants - both existing claimants and those who qualify for support during the year.

**Are we eligible for the transitional grant if we implement the default scheme, but do not up rate any allowances?**

Not necessarily. The 8.5% reduction in support should be measured against the default scheme for 2013-14. Allowances and premiums used to calculate a person's applicable amount and income under the default scheme have been uprated for 2013-14 following the Autumn Statement (see the Council Tax Reduction Schemes (Prescribed Requirements and Default Scheme) (England) (Amendment) Regulations 2012). The Autumn Statement set out the benefit levels for up-rating for 2013-14, as

well as the forecast for subsidised council tax benefit expenditure (on which the funding for 2013-14 is based).

Failing to up-rate these values in a local scheme may mean that a scheme leads to a greater than 8.5% reduction in support for some claimants that would receive 100% under the terms of the default scheme for 2013-14. This might be the case, for example, if failure to increase the personal allowance means someone who would be entitled to 100% support under the default scheme, is entitled to partial support which is less than 91.5% of their net starting liability.

This issue only arises in relation to the uprating of factors which determine the calculation of a person's applicable amount and income. Changes to existing non dependant deduction rates will not affect eligibility for the grant.

### **Does it matter if we are increasing council tax in 2013-14?**

No. The scheme must ensure that applicants entitled to a reduction of 100% under the **default scheme** pay no more than 8.5% of their net council tax liability in order to be eligible for the grant.

Increases in the amount a person would be liable to pay because of increases in the amount of council tax set for 2013-14 will not affect eligibility for the grant.

### **Can we introduce a minimum level of support?**

Yes – this is not covered by the criteria. However, in doing so, you will need to make sure that it does not contravene the first criterion by reducing the starting liability of a person, who would otherwise be eligible for 100% support under the default scheme, by more than 8.5%.

### **As an authority, we are proposing to change the definition of income, to take into account income previously disregarded. Is this compliant?**

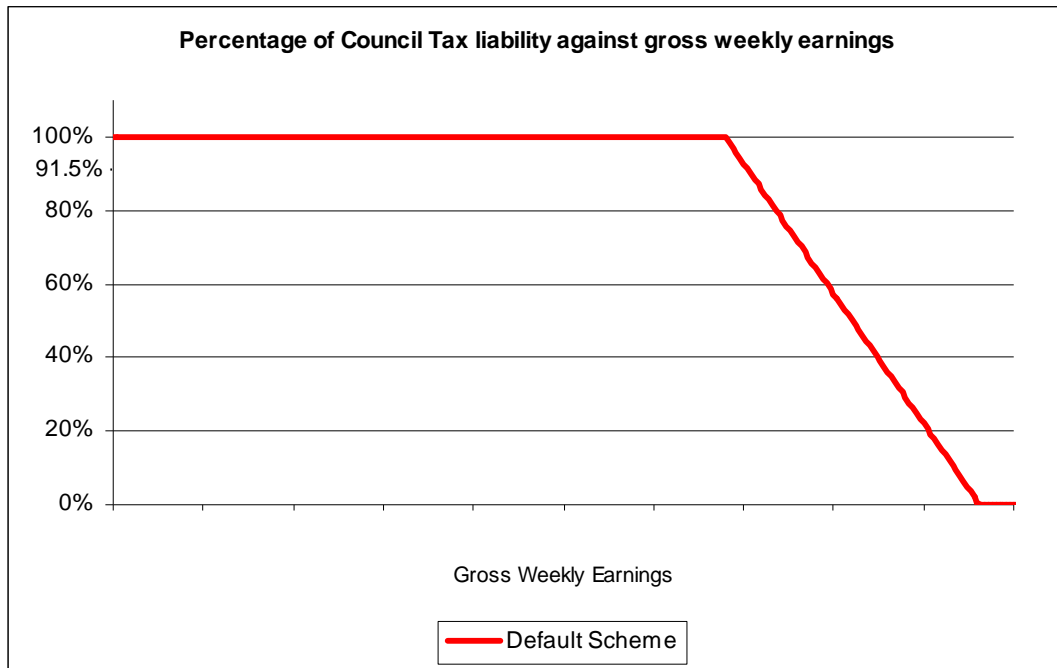
Not necessarily. It depends on the income and the impact on a person's award. Local authorities may find it easier not to change definitions of income to avoid complexity in establishing whether the scheme is compliant.

### **Will there be more information on the process for claiming our grant?**

Yes. The Department will publish more detailed information on the applications process ahead of 31 January.

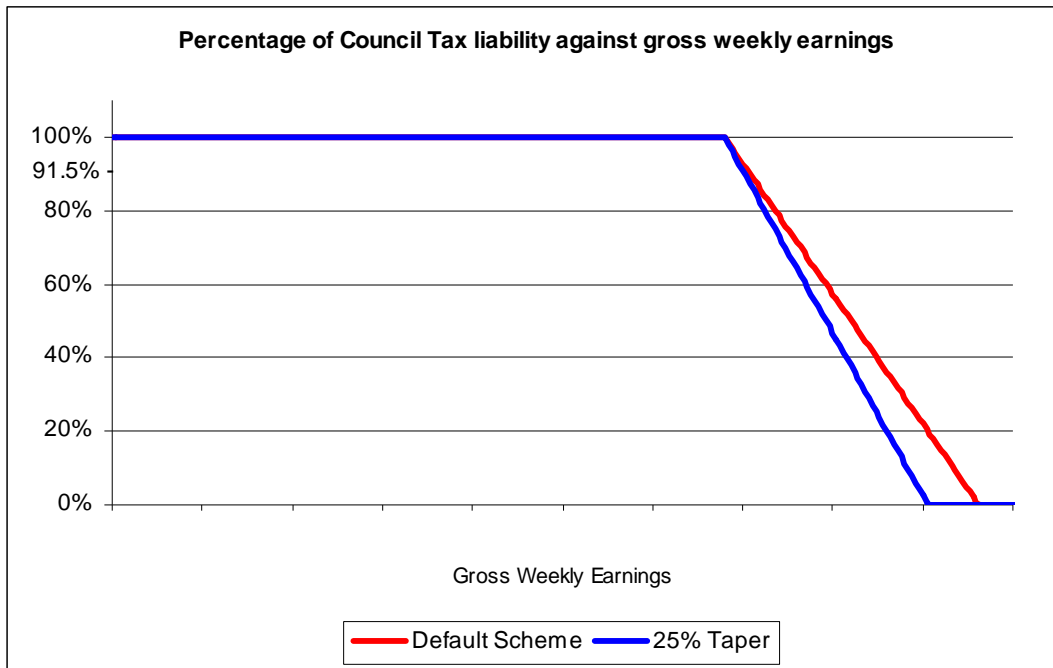
**Examples of Compliant Schemes:** Schemes which local authorities could adopt which would be compliant with the terms of the grant scheme:

**Scenario A: Adopt the default scheme**

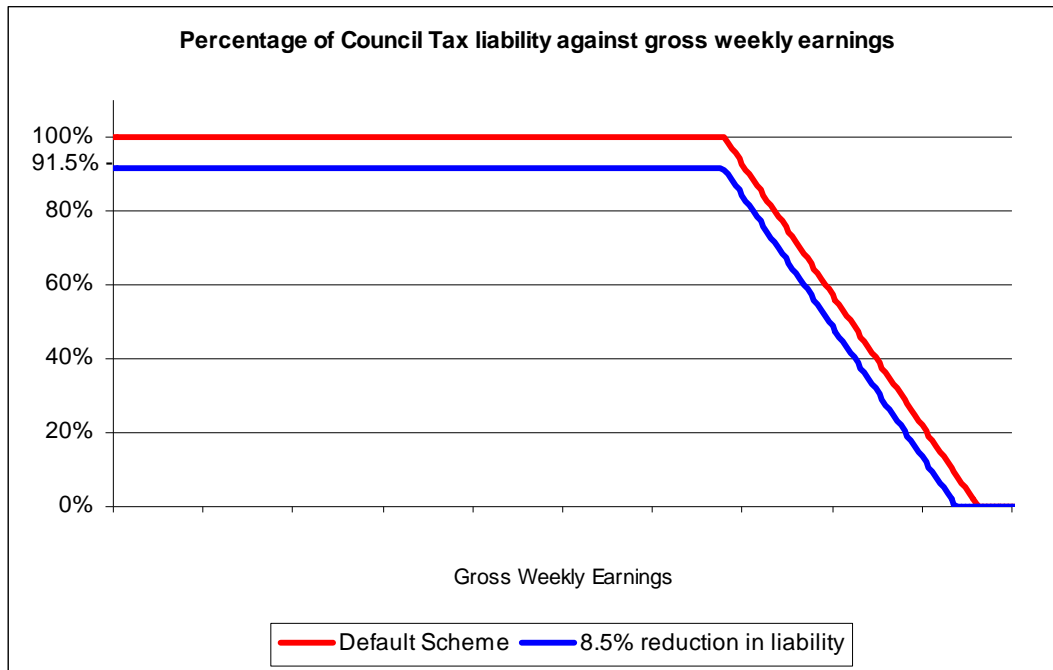


**Scenario B: Adopt the default scheme but increase the taper rate to 25%**

Local authorities would be free to keep to the 20% taper rate – or introduce a lower rate



**Scenario C: Adopt the default scheme but reduce the starting liability (i.e. after other discounts, such as single person discount, have been applied) by 8.5% for both passported and means tested claimants**



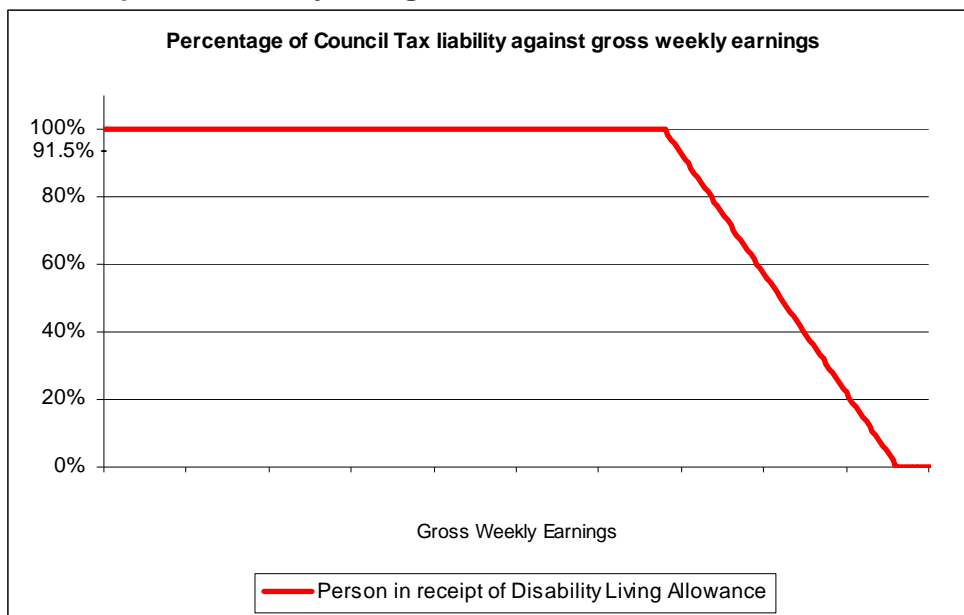


**Scenario D: Adopt the default scheme but reduce the maximum net liability by 3% for both passported and means tested claimants BUT protect a selected client group by applying the default scheme to these claimants**

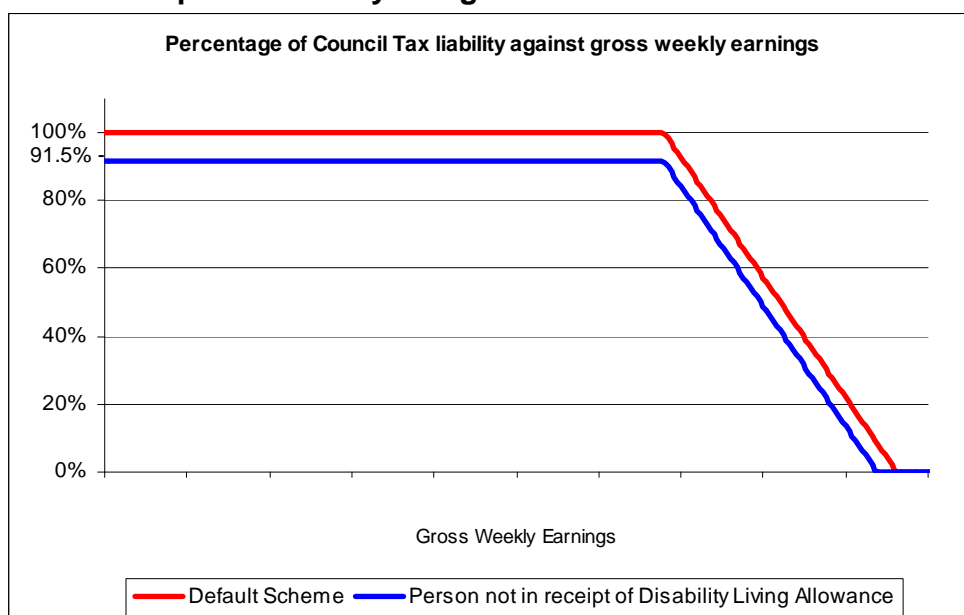
As long as both schemes (protected and non protected) meet the criteria the scheme will be compliant.

**For example:**

**Person in receipt of disability living allowance**



**Person not in receipt of disability living allowance**



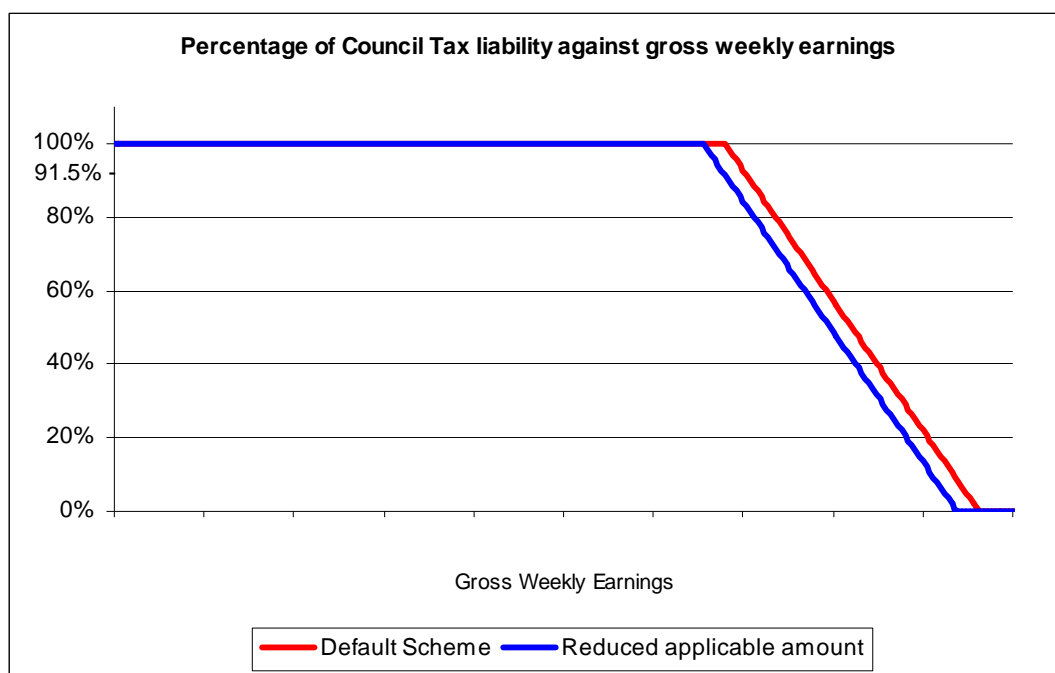
**Scenario E: Change existing non-dependant deduction rates**

- Local authorities will be able to change existing non-dependant deduction rates and still be compliant with the scheme. Government would not expect local authorities to make large increases in non-dependant deductions.
- Where a local authority is considering introducing new non-dependant deductions, the scheme must ensure that claimants with non-dependants in receipt of Pension Credit, Income Support, Job Seekers Allowance (Income Based), Employment Support Allowance (Income Related) who would receive 100% on the default scheme pay no more than 8.5% of their net council tax liability in order to be compliant. Local authorities may find it easier not to introduce new non-dependant deductions.

## Scenario F: Change applicable amount

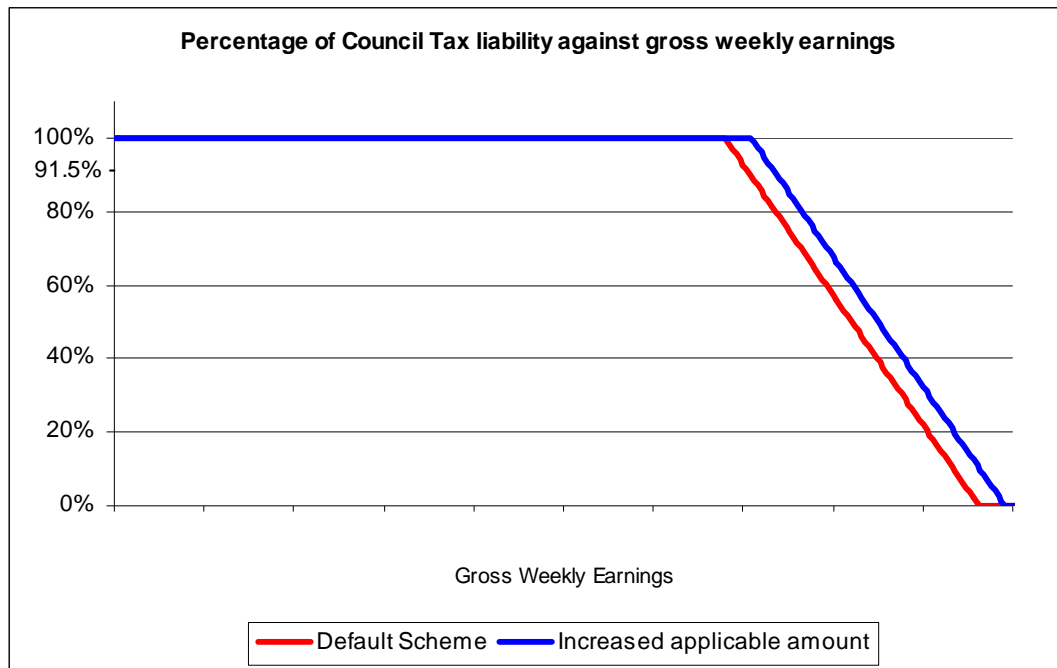
It would be possible for a local authority to make small reductions to applicable amounts and still be compliant with the scheme. However, in doing so they would need to ensure that the reduction for those who would get 100% support on the default scheme was not greater than 8.5%.

The following example illustrates no reduction in the starting liability, but a reduction in the applicable amount, which means that support begins to be withdrawn more quickly (i.e. the taper is applied to a lower level of income) than under the default scheme.



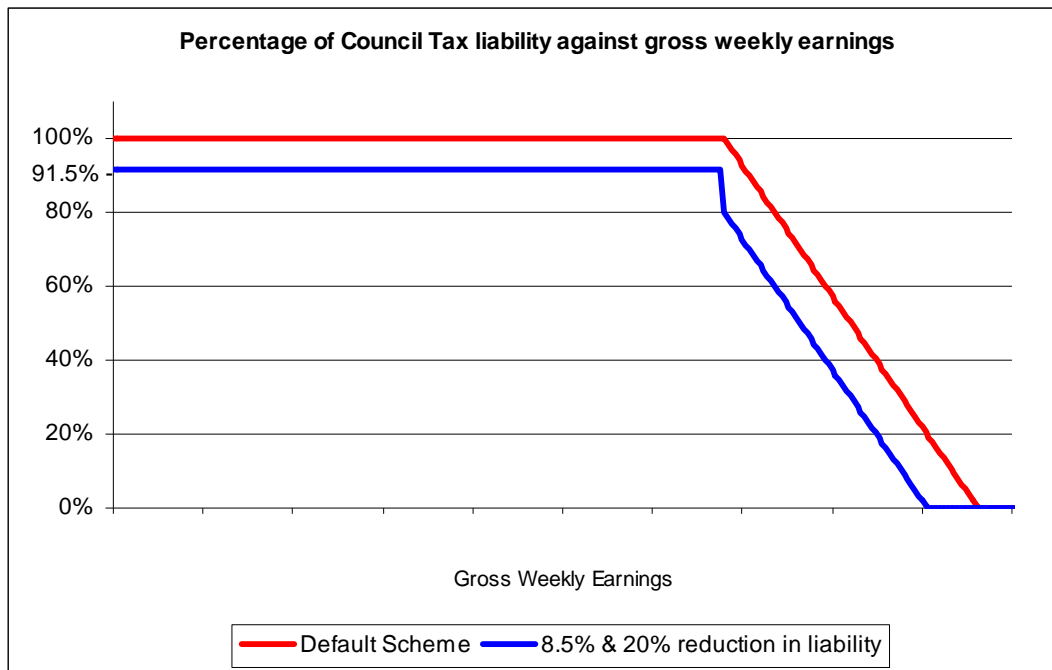
To be compliant in this scenario the applicable amount cannot be reduced by more than 42.5% of the weekly liability. For example, if the weekly liability is £10 then the most the applicable amount can be reduced by is £4.25.

Local authorities may find it easier not to reduce applicable amounts to avoid complexity in establishing whether the scheme is compliant. Local authorities would be free to introduce more generous applicable amounts, meaning support is tapered away later – see below:



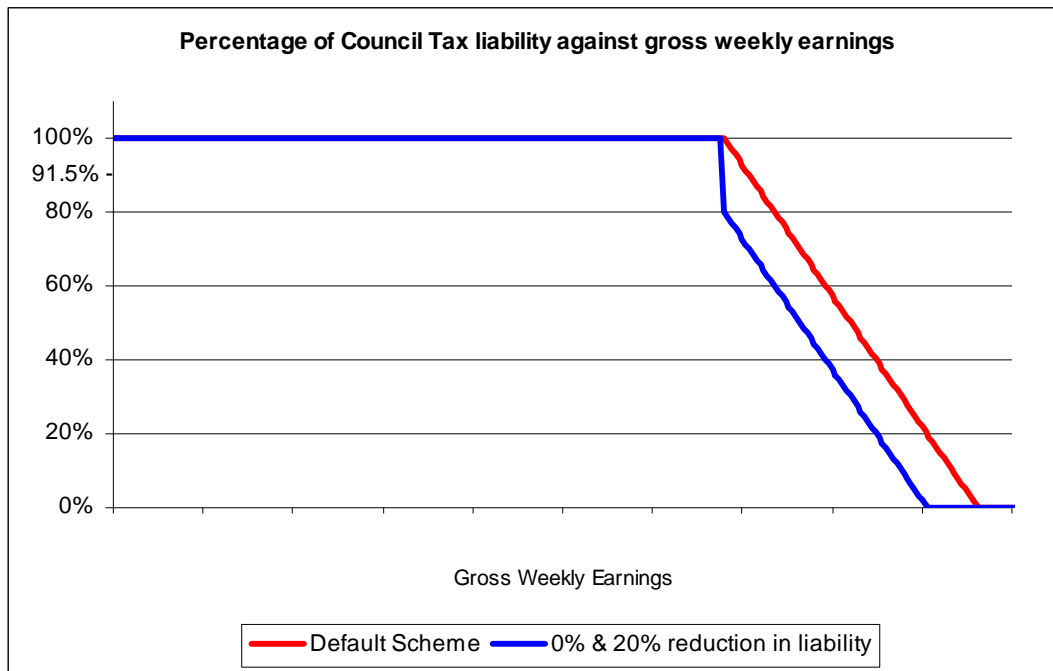
**Examples of Non-compliant Schemes:** Schemes which local authorities could adopt which would not be compliant with the terms of the grant scheme:

**Scenario G: Adopt the default scheme but reduce the maximum net liability by 8.5% for those who would have been entitled to 100% support on the default scheme and reduce the maximum net liability by 20% for all other claimants.**



This approach would not be compliant because those moving onto the taper see a sharp reduction in support - i.e. a 'cliff edge'.

Similarly a scheme which protects those not on the taper from any reduction in support, but increases the starting liability for all other claimants to 20%, as illustrated below, would not be compliant.



### **Scenario H: Adopt the default scheme but cap at a council tax band**

Schemes which cap support at a band level would not be compliant – as the starting point for all is a greater than 8.5% minimum liability.